

**STATEMENT BY
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HEARING ON THE EFFECT OF CHINESE IMPORTS ON U.S. BUSINESSES

**HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON COMMERCE,
JUSTICE, STATE, JUDICIARY AND RELATED AGENCIES**

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Chairman Wolf, Vice Chairman Vitter, Ranking Member Serrano, Members of the Subcommittee, thank you for this opportunity to testify.

Preventing terrorists and terrorist weapons from entering the United States is - and has to be - the priority mission of the Bureau of Customs and Border Protection (BCBP), but that does not mean that our traditional missions cease. At BCBP, as was the case at U.S. Customs, we have twin goals: increasing security and facilitating legitimate trade and travel. We must protect the American economy as well as the American people. These goals can and should be achieved simultaneously. As we develop ways to make our borders more secure against terrorism, we can also develop ways to ensure the speedy flow of legitimate trade and travel.

We are making sure that we continue to perform the traditional missions including protecting economic interests by enforcing antidumping orders issued by the Department of Commerce. At BCBP, we are continuing to develop and refine our strategies and tactics to address the impact of dumped and subsidized imports through the enforcement of antidumping orders. BCBP reviews all active antidumping cases for data quality, trends, patterns of circumvention and non-compliance and develops collaborative strategies to address non-compliance. We develop instructions for field officers and commence focused enforcement actions that are national in scope in response to identified or potential patterns of non-compliance. These enforcement actions are designed to focus field resources on a specific area.

In calendar year 2002, the entered value for U.S. imports totaled \$1.17 trillion and goods from China represented 10.6% of this entered value. Approximately 12% of the active antidumping/countervailing duty (AD/CVD) cases involve goods from China; however, 89% of the antidumping bonds required at the time of Customs entry are for goods of Chinese origin. BCBP enforces antidumping orders regarding a broad spectrum of commodities originating in China. Commerce has issued antidumping orders for everything from agricultural products such as fresh crawfish, garlic, honey, apple juice concentrate and mushrooms to candles, pencils and brake rotors. The rates of antidumping duty covering Chinese goods range from 0% to 376.67%. Antidumping duty on garlic is 376.67% and antidumping duty on crawfish is as high as 201.63%.

The BCBP serves as the repository for antidumping duties. Under the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA), also referred to as the Byrd Amendment, antidumping duties collected by BCBP are disbursed as offset distributions to injured domestic petitioners. In calendar year 2002, over \$325 million was disbursed. The Treasury Department Office of the Inspector General (OIG) has recently completed an audit of BCBP compliance with the CDSOA. The OIG found a number of areas in which BCBP could improve its management

of this program. Specifically, it noted the need to (1) properly establish special accounts, and (2) pay claimants within 60 days after the end of the fiscal year. In addition, the OIG stated that we had not instituted standard operating procedures and adequate internal controls for the management of the Continued Dumping and Subsidy Offset Act of 2000 program. We have established a CDSOA working group to address both the recommendations and management considerations identified by the OIG.

BCBP devotes substantial resources to the enforcement of antidumping orders. As the forensic and scientific arm of an agency with broad enforcement powers, our Laboratories and Scientific Services Division (LSS) provides a broad range of scientific and forensic services in support of our compliance efforts. Laboratory staff administer and manage scientific programs specific to the BCBP mission and issue approximately 500 written opinions a year on a variety of headquarters appeals cases and trade issues. LSS provides the U.S. government with representatives to the World Customs Organization and World Trade Organization and develops both domestic and international training programs. The CBP Laboratories work closely with field officers to establish proper sampling patterns and techniques as well as develop profiles on certain importers and types of merchandise. Recent developments in determining the country of origin of agricultural products have led to major Customs enforcement operations concerning the circumvention of anti-dumping duties. The BCBP Laboratories assist in the technical aspects of dumping and countervailing duty investigations and consult with and advise the Department of Justice on technical matters pertaining to Customs and related laws.

An important part of the enforcement of antidumping orders relates to the investigation of suspected related fraud. The Fraud Investigations Branch, formerly part of the U.S. Customs Service but now part of the Bureau of Immigration and Customs Enforcement (BICE), is responsible for all matters related to fraud investigations stemming from BCBP enforcement activities. During a 2002 joint investigation by the Food and Drug Administration and the legacy Customs Service into a widespread scheme to evade payment of U.S. antidumping duties, bulk shipments of honey were found to be contaminated with chloramphenicol. Chloramphenicol is an antibiotic used only to treat life-threatening infections in humans when other alternatives are not available. Criminal investigators assigned to attaché offices play a critical role in pursuing foreign leads in dumping investigations.

The Department of Commerce and the International Trade Commission play a vital role in AD/CVD investigations. Grant Aldonas, Under Secretary for International Trade at the Department of Commerce and my colleague on this panel, has initiated a multi-agency task force to address matters relating to the fraudulent evasion of antidumping duties. BCBP staff attended the task force's opening meeting on Tuesday, May 20, 2003 at the Department of Commerce and we look forward to participating in this effort.

Thank you again, Mr. Chairman and Members of the Subcommittee, for this opportunity to testify. We look forward to working with your Subcommittee on this important issue. I would be happy to answer any questions that you may have.